

The Role of Reward System as Performance Control System: Empirical Evidence from Strategic Business Unit in Indonesia

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Abstract

The current global uncertainty in the business environment has delivered negative impact on the Indonesian economy, resulting in problems that arise for large-scale corporate companies that have many Strategic Business Units (SBU) under them. This condition presents a challenge for corporate companies where one of the main roles is to regulate all SBU to be able to produce optimal performance through the established Management Control System (MCS). One of the MCS that need to be studied more deeply academically is reward system that is expected to be able to improve SBU performance through Organizational Learning Culture (OLC) and innovation capability. This study aims to empirically prove the development of a more comprehensive model to improve the SBU performance, especially in SBU context for corporate companies in Indonesia. This is a causal quantitative with total samples is 72 respondents. The results prove that reward system has a significant positive effect on SBU performance, innovation capability, and OLC. OLC has a significant positive effect on innovation capability, but has no significant positive effect on SBU performance. The innovation capability has a significant positive effect on SBU performance. Meanwhile, innovation capability is proven to be a mediating variable for the effect of reward system on SBU performance, and the influence of OLC on SBU performance. OLC is proven to be a mediating variable of the effect of reward system on innovation capability, but it is not proven to be a mediating variable of the effect of reward system on SBU performance.

Keywords: Reward System, Organizational Learning Culture, Innovation Capability, SBU Performance, Strategic Business Unit

Introduction

The current global uncertainty in the business environment has a negative impact on the Indonesian economy, resulting in problems that arise for large and small companies, including large-scale corporate companies that host plenty of Strategic Business Units (SBU). For example, cement industry in Indonesia is threatened with bankruptcy due to competition from the Chinese cement industry (Praditya, 2019), and the closing of 7-Eleven retail outlets throughout Indonesia (Ningrum, 2018). This condition presents a challenge for corporate companies which one of the main roles is to regulate all SBU to be able to produce optimal performance through established management control system.

Through accurate management control system, a company will be able to exploit its capabilities in order to become particular competitive advantage beneficial for existing competition. This goes in line with the Resource-Based View (RBV), which emphasizes the importance of competitive advantage to compete (Helfat & Peteraf, 2003; Eisenhardt & Martin, 2000). Newbert (2007) adds that competitive advantage does not always appear in the form of capabilities alone, but all organizational components such as proper structures, effective control systems, and company policies can support the creation of better company's performance.

One of the efforts that can be performed by corporate companies is setting up an effective control system to encourage the creation of SBU capabilities and improve company's performance. One of the management control systems that need to be researched more deeply is reward system, a management control system that is expected to be able to improve SBU performance. Lill, Wald, & Munck (2020) through their review, stated that further empirical studies are still needed to fill the gap in the role of management control systems concerning company capabilities. Similarly stated by Gschwantner & Hiebl (2016), an empirical study that emphasizes on the role of reward system, specifically as a management control system in increasing the company's innovation capability, is still necessarily be conducted. In relation with the importance of reward system, this topic also deserves similarly deeper research. As referring to the statement from Gupta & Shaw (2014) which generally suggests the need for empirical studies related to reward system in companies, this topic is often considered a common thing discussed in companies but not in the context of academic studies. This study itself was conducted within the context of companies in Indonesia, where reward system is considered as one of the most important factors for employees in Indonesia today (Kadarusman & Herabadi, 2018; Wahyono, Prihandono, & Wijayanto, 2018; Hartijasti & Darpita, 2017).

This study was developed based on the study from Henri (2006), which specifically examines the role of management control systems in the RBV point of view to increase the company's unique capabilities as a competitive advantage to compete, and as a tool for the improvement of company's performance (Barney, 1991). The result of Henri's study (2006) proves that the management control system can support the formation of company capabilities, where these capabilities include both the ability to innovate and organizational learning to improve company's performance. In this study, a more specific model was developed, where the management control system used refers to reward system as one of the management control systems (Malmi & Brown, 2008). This control system can eventually improve SBU performance through the role of organizational learning culture and innovation capability.

This study aims to empirically prove the development of a more comprehensive model from Henri (2006), with an emphasis on the role of reward system as a management control system. In addition, this study also emphasizes on the mediating role of innovation capability and organizational learning culture to improve SBU performance especially in the context of SBU corporate companies in Indonesia, which is still rarely found in previous empirical studies.

Literature Review

Reward System and SBU Performance

Management control system is closely related with an effort to regulate employee behavior, where an effective management control system will be able to change employee behavior in line with company's goals (Anthony & Govindarajan, 2007). Reward system, as a form of formal control system, accompanies performance measurement standards that have been set in align with the company's goals, thus becoming a necessary path to direct all employee behavior in achieving company's goals.

Chang, Ou, & Wu (2004) prove that an effective reward system can have a direct impact on company's performance, especially financial performance. The impact of an effective reward system can be divided into short-term and long-term. Short-term rewards are useful for motivating employees to behave in accordance with what is expected by the company, while in long-term it can encourage an increase in the company's financial performance. In long term, employees can be motivated to pursue the rewards promised by the company, as those rewards will encourage them to achieve given targets, such as sales targets. The achievement of short-term goals will support the achievement of long-term goals, such as sales financial performance.

Nevertheless, previous studies have shown mixed results on the effect of reward system in improving company's performance. Studies from Sung, Choi, & Kang (2017), Kuo (2011), Jimenez-Jimenez & Sanz-Valle (2008), dan Lin & Kuo (2007) prove the indirect role of reward system in improving company's performance. The argument given by Jimenez-Jimenez & Sanz-Valle (2008) shows that reward system is more likely to shape the abilities and behavior of employees needed to support the capabilities of the company, while these capabilities are later expected to improve the company's performance. Based on the studies conducted in these studies, similarity is found on how the company's performance is measured through the combination of financial and non-financial measurements. The study from Chang, Ou, & Wu (2004) becomes the one using pure financial firm performance measurement.

H1: Reward system has a positive effect on SBU

performance.

Reward System and Innovation Capability

When employees are motivated to get rewards from the company, each employee will show all abilities to do what the company expects and avoid mistakes as well as failures that can harm employees as a result of not getting the award. One of the efforts made by employees is by showing innovative efforts (McCarthy & Gordon, 2011; Kang & Snell, 2009).

Previous studies have also proven that reward system can play a role in increasing company innovation (Kuo, 2011; Jimenez-Jimenez & Sanz-Valle, 2008; Honig-Haftel & Martin, 1993). When reward system provided by the company is effective in motivating employees to make creative efforts in exchange for the rewards from the company, employees will consistently show innovative and concrete efforts. Honig-Haftel & Martin (1993) added that in order to motivate employees' creativity maximally, company can combine both financial and non-financial rewards equally.

H2: Reward system has a positive effect on innovation capability.

Reward System and Organizational Learning Culture

Chamorro-Premuzic & Bersin (2018) emphasize the importance of an effective reward system established by the company to motivate changes in employee behavior, especially to orient them towards learning. Andersen & Lueg (2017) argue that management control system can function as a tool to change employee habits through persuasive appeals, or mandatory coercion through rules that employees must obey. In the context of reward system as a management control system, it can be in form of a communication tool. If managed effectively, this tool can provide persuasive encouragement towards employees to establish new habits through rewards that will be granted for those who obey and willingly change.

Several previous studies also provide empirical support that reward system can improve organizational learning, where incentives given to employees can motivate them to indulge learning process on an ongoing basis (Kuo, 2011; Lin & Kuo, 2007). Therefore, when the reward system that implemented is able to run effectively, it will encourage employees to do habits that are oriented to continuous learning process according to the company's expectations. This happens as the employees are expecting to get the rewards promised by the company if they show learning habits in daily activities.

H3: Reward system has a positive effect on organizational learning culture.

Organizational Learning Culture and Innovation Capability

When learning culture in the organization can be thoroughly applied by all employees of the company, and the company as well tries to emphasize the ability to learn new things by adapting to environmental changes, the ability to create new ideas that are creative and useful for the company will simultaneously increase. Learning is considered as mandatory and important thing for every company to establish competitive advantage (Oktavio, Kaihatu, & Kartika, 2019). Through organizational learning carried out by employees in every unit in the company, creativity in developing product or process development ideas that are beneficial to the company can be provided. In addition, creative ideas can be synergistically implemented (Pratiwi & Fanani, 2019).

The results of previous studies also support the role of organizational learning culture in increasing the company's

innovation capability (Oktavio, Kaihatu, & Kartika, 2019; Pratiwi & Fanani, 2019; Hahn, Lee, & Lee, 2015; dan Kuo, 2011). Therefore, when learning-oriented habits are applied on an ongoing basis, employees should be able to apply the learning outcomes concretely in their daily work, especially in form of innovative efforts that are beneficial to the company.

H4: Organizational learning culture has a positive effect on innovation capability.

Organizational Learning Culture and SBU Performance

With learning habit within, a company will be able to form the its core competencies in adapting and learning new things on an ongoing basis (Oktavio, Kaihatu, & Kartika, 2019). Through habit of learning new and latest things, companies can avoid risks that can harm the company, therefore reducing the risk of losses in the long term and significantly improve company's performance, such as higher sales levels. Pratiwi & Fanani (2019) argue that learning atmosphere within an organization encourages employees to think about the most effective way to solve daily work processes, therefore providing benefits for the company.

Previous studies in proving the role of organizational learning culture on company's performance gave mixed results. Studies conducted by Pratiwi & Fanani (2019), Kuo (2011), dan Lin & Kuo (2007) prove that learning in organizations can improve company's performance. Meanwhile, studies from Oktavio, Kaihatu, & Kartika (2019) and Kim, Watkins, & Lu (2017) prove that learning in organizations does not have a direct impact on the improvement of company's performance. This study is expected to provide clarity on its direct role in improving company's performance.

H5: Organizational learning culture has a positive effect on SBU performance.

Innovation capability and SBU Performance

One of the most important positive impacts obtained when a company can innovate well can be seen on the improvement of its performance, both financially and non-financially (O'Reilly & Tushman, 2013). The results of previous studies support for the role of innovation capability in improving company's performance. Junni, Sarala, Taras, & Tarba (2013), as proved through their meta-study, show the consistency of the positive impact obtained whenever companies can innovate. Previous studies conducted in Indonesia also support this positive impact (Pratiwi & Fanani, 2019; Riyadi & Yasa, 2016; Jimenez-Jimenez & Sanz-Valle, 2008). However, different study results were also obtained through previous studies such as from Nikmah, Rahardja, & Sugiarto (2018); and Vrontis, Thrassou, Santoro, & Papa (2017) showed different results.

Apart from the various study results, the logical thinking that can be used as an argument for this role is that whenever a company can innovate, then it would be possible for it to effectively use its resources in the competition, according to their needs. Companies can also innovate by looking for new opportunities through breakthroughs that have not yet been on the thoughts of other competitors.

H6: Innovation capability has a positive effect on SBU performance.

Innovation Capability as Mediating Variable

Henri (2006) states that an effective and appropriate management control system can be a competitive advantage encouraging the creation of unique and distinct company capabilities as competing tools. This thinking is in line with RBV's view that every company has its unique capabilities as a

result of organizational components and company policies that can support the creation of better company's performance (Newbert, 2007). Based on this thinking, innovation capability is expected to become one of the unique capabilities of the company, which is formed from good management of organizational components, as well as appropriate company policies, enabling effective works. Reward system as management control system and organizational learning culture are expected to be one of the unique organizational components. This unique component will encourage the creation of the company's internal capabilities as a competitive advantage to support the improvement of company's performance (Henri, 2006; Barney, 1986).

Previous studies have also supported the role of innovation capability as the mediating effect of reward system on firm performance (Grafton, Lillis, & Widener, 2010; Kuo, 2011; Jimenez-Jimenez & Sanz-Valle, 2008). When employees are motivated and show behavioral changes caused by the rewards promised by the company, it does not necessarily make the company's performance (especially financial performance) better. However, this can be realized if the employees are also motivated and consistently achieving all the achievements by showing innovative concrete efforts. Therefore, concrete efforts to create uniqueness through better quality and image, which can then make consumers more satisfied, will improve the company's performance in long term.

Innovation capability can also mediate the role of organizational learning culture in improving company's performance. The result of study conducted by Oktavio, Kaihatu, & Kartika, 2019; Pratiwi & Fanani, 2019; Kuo, 2011), suggest that organizational innovation can mediate both organizational learning and firm performance. Through organizational learning, employees are not only encouraged to get creative ideas, but also to translate those into concrete efforts that can be applied on their daily work (Pratiwi & Fanani, 2019). Company's performance can be improved through concrete efforts shown by all employees, especially on how they collectively manage their resources. Through learning process performed by employees, they can add new insights needed to create concrete creative efforts. They are also expected to be able to show uniqueness compared with other business competitors, as well as able to improve quality and imagery needed to increase customer satisfaction.

H7: Innovation capability mediates the effect of reward system on SBU performance.

H8: Innovation capability mediates the influence of organizational learning culture on SBU performance.

Organizational Learning Culture as Mediating Variable

Despite lacking of empirical studies which examine the mediating role of organizational learning culture, the conceptual thinking of Newbert (2007) dan Barney (1986) can be an argument for the important role of organizational learning culture. Newbert (2007) argues that the sources of competitive advantage are not only limited to the capabilities possessed by the company, but also by all organizational components, established policies, and management assets. These stakeholder components will provide support on the creation of better company capabilities. This opinion is also supported by the thoughts of Barney (1986), which emphasizes on the role of culture in the company. Company's culture can be a unique and distinct component of a company preventing imitation from other competitors. Culture in a company needs to be adjusted to the character of each corresponding company, as well as the character of the company's employees. Those factors need to be managed with certain considerations to provide different values from a particular company, regardless of any similarities

between the cultures. Senge (1990) states that organizational learning is one of the keys for successful breakthroughs that need to be brought up by every company in responding to changes within existing business environment. Therefore, learning process in a company is expected to be the key of any knowledge needed by every single employee to improve his abilities, especially ones that can be useful for the company.

The result of the study from Kuo (2011) prove that learning in organizations can mediate an increase in innovation capability, particularly as influenced by employee reward arrangements. Through reward system established by a company, employees can be motivated to increase their competence through new knowledge gained. When employees are able to increase concrete and useful innovative efforts, domino effect which ends on the increase on overall company's innovation capability will occur.

Result of the study from Henri (2006) prove that organizational learning can mediate the role of management control systems in improving company's performance. When companies can effectively change employee habits to be more learning oriented, all employees will get used to finding out new insights needed to reduce potential risks that can harm the company. Therefore, it can be said that organizational learning culture can be one of the components supporting the company's competitive advantage by increasing the competence of its employees. Reducing potential risks faced by a company can reduce losses, or adverse negative impacts that in long term is beneficial in improving overall company's performance.

H9: Organizational learning culture mediates the effect of reward system on innovation capability.

H10: Organizational learning culture mediates the effect of reward system on SBU performance.

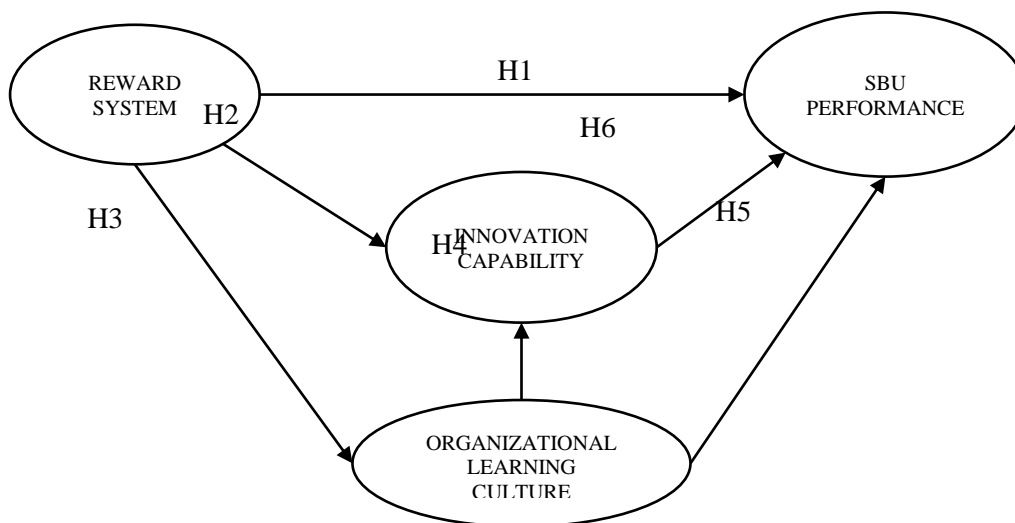


Figure 1: Research Model

Methodology

This study uses a quantitative causal approach using SmartPLS 3.0 software as statistic tool to explain the relationship between the variables studied. Data collection was carried out in a cross-sectional manner which was only partially carried out on certain period in March-May 2021. The unit of analysis in this study is SBU in corporate companies in Indonesia. Each SBU is represented by the head of the SBU, or a leader who is directly responsible to the highest leadership of the SBU. These highest leaderships are executive management team acting as respondents in this study. The population in this study is therefore all SBU corporate companies in Indonesia. Determination of the number of samples in this study is using the "10-times rule method" (Hair, Sarstedt, Ringle, & Mena, 2012), where the appropriate minimum sample size is ten times the maximum number of inner lines in the research model. The number of inner lines in this model is 6, therefore the minimum sample required is 60 respondents.

Respondent data was collected through questionnaires that were distributed online via google form by exploiting a network of connections with relatives, friends, and co-workers. Questionnaires were shared directly to their relations according to the criteria given, namely respondent who is the highest leader of the SBU or is directly responsible to the highest leadership of the SBU, and respondents who has a corporate

company as the parent company.

The research variables in this study include one exogenous variable, namely reward system (RS); two endogenous intervening variables, which include organizational learning culture (LC) and innovation capability (IC); and one endogenous variable, namely SBU performance (SP). The use of measurement indicators for reward system (RS) was adopted from (Armstrong & Murlis, 2007; Anthony & Govindarajan, 2007), which includes nine indicators, such as "financial reward implemented by the company has been adjusted according to the contribution of each employee" and "financial reward implemented by the company is more competitive with the one implemented by the others". The use of indicators for measuring organizational learning culture (LC) was adopted from (Rebelo & Gomes, 2011; Marsick & Watkins, 2003), which includes fourteen indicators, such as "the company motivates its employees to perform self-development through learning process" and "leaders of the company can be an example who inspires collective learning". Meanwhile, innovation capability (IC) uses twelve indicators adopted from (Lutbakin, Simsek, Ling, & Veiga, 2006; Patel, Messersmith, & Lepak, 2013), such as "employees pay continuous attention towards customer's satisfaction" and employees can produce innovative goods and service". Finally, SBU performance (SP) is measured using nine indicators on financial performance adopted from (Kingkaew & Dahms, 2018; Galankashi & Rafiei, 2021), such as "company's sales is higher than other main competitors" and "company's

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profitability improves beyond 5% annually, during the last 3 years respectively”.

Result And Discussion

The total respondent data obtained were 77. Among them, three were not fulfilling the requirements of respondent's criteria. Therefore, in total, 74 respondent data (96.1%) are eligible to be processed further. The next process is performed by testing the outlier data through Mahalanobis test, in which 2 data were found as outliers, thus needs to be removed. In the end, the total data that could be processed further were 72 respondents' data (93.5%). Based on the total of 72 data representing SBU in Indonesia, 26.39% are SBUs engaged in

the consumer goods industry, 36.11% SBU are more than 25 years old, and 63.89% are categorized as medium industries with several employees ranging from 20 - 99 people.

Statistical testing is performed through SmartPLS 3.0 software, initially by testing the validity and reliability of all indicators on the variables studied. The outer model test shows that all indicators have a loading factor value greater than 0.5 so that all indicators are declared valid. The next test is by looking at the $\sqrt{\text{AVE}}$ value that must be greater than 0.5 to be declared valid. Based on table 1, the $\sqrt{\text{AVE}}$ value shows that everything is greater than 0.5, therefore all variables are declared valid. The last is reliability testing, conducted by looking at the composite reliability value. If it is greater than 0.7 as the cut-off value, then the variable is reliable. The results from table 1 show that all variable values are declared reliable.

| | AVE | $\sqrt{\text{AVE}}$ | COMPOSITE RELIABILITY |
|----|-------|---------------------|-----------------------|
| RS | 0.709 | 0.842 | 0.956 |
| LC | 0.554 | 0.744 | 0.945 |
| IC | 0.625 | 0.791 | 0.952 |
| SP | 0.637 | 0.798 | 0.939 |

Table 1: Validity and Reliability Test

Based on the results of hypothesis testing in table 2, the influence relationship between variables seen from the original coefficient value and the T value in the bootstrap sampling 500 has shown consistency of results close to the original coefficient value. The original coefficient value indicates whether the direction of the influence is either positive or negative. T is

compared with the cut-off value of 1.96. When the T value is greater than the cut-off value, the result can be said to be significant, Likewise, when the T value is less than the cut-off value, it can be said that the result is insignificant. The results show that from 6 proposed hypothesis, hypothesis 1,2,3,4, and 6 were supported, while hypothesis 5 was not supported.

| DIRECT EFFECT | ORIGINAL COEFF. | (BOOTSTRAP, B=500) | | INTERPRETATION |
|---------------|-----------------|--------------------|---------|------------------|
| | | COEFF. | T-VALUE | |
| RS → SP | 0.128 | 0.138 | 2.455 | H1 Supported |
| RS → IC | 0.148 | 0.160 | 2.390 | H2 Supported |
| RS → LC | 0.368 | 0.378 | 6.979 | H3 Supported |
| LC → IC | 0.201 | 0.200 | 3.856 | H4 Supported |
| LC → SP | 0.043 | 0.042 | 0.614 | H5 Not Supported |
| IC → SP | 0.132 | 0.131 | 2.910 | H6 Supported |

Table 2: Direct Effect

The coefficient value for the indirect effect between variables can be seen in table 3. From the results, it is revealed that hypothesis 7,8,9 were supported, while hypothesis 10 was not. These results prove that innovation capability can mediate the effect of reward system on SBU performance, and

organizational learning culture on SBU performance. Meanwhile, organizational learning culture can mediate the effect of reward system on innovation capability, but cannot mediate the effect of reward system on SBU performance.

| Indirect Effect | Coefficient | Interpretation |
|-----------------|-------------|-------------------|
| RS → IC → SP | 0.020 | H7 Supported |
| LC → IC → SP | 0.027 | H8 Supported |
| RS → LC → IC | 0.074 | H9 Supported |
| RS → LC → SP | 0.016 | H10 Not Supported |

Table 3: Indirect Effect

Reward System and SBU Performance

The test results show that reward system has a positive and significant effect on SBU performance. The results of this study show different results if compared with several previous studies saying that reward system has no direct effect on the company's performance (Sung, Choi, & Kang, 2017; Kuo, 2011; Jimenez-Jimenez & Sanz-Valle, 2008; Lin & Kuo, 2007). However, the

results of this study support the study of Chang, Ou, & Wu (2004), which proves that an effective reward strategy has a significant positive effect on the company's financial performance. Studies conducted in the context of the banking sector show a significant influence, especially on company's financial performance. Chang, Ou, & Wu (2004) argue that reward system has short and long-term impact. Short-term rewards can effectively motivate employees to show behavior

as expected by the company, while in long-term, an effective and consistent reward strategy can encourage an increase in the company's financial performance, for example through the accumulation of sales targets achieved by employees.

Reward System and Innovation Capability

The test results show that reward system has a positive and significant effect on innovation capability. The results of this study support the results of previous studies (Kuo, 2011; Jimenez-Jimenez & Sanz-Valle, 2008), which prove that reward system can increase the ability to innovate. This study also supports the results of Grafton, Lillis, & Widener (2010), which proves that reward system as a management control system, if managed effectively, can increase the capability to innovate. An effective reward system can direct employee behavior in accordance with company's goals in order to demonstrate the innovative efforts needed to win potential consumers. Success in demonstrating innovative efforts is very important for employees to get the rewards that the company has promised.

Reward System and Organizational Learning Culture

The test shows that reward system has positive and significant effect towards organizational learning culture. The results of this study also support the results of previous studies (Andersen & Lueg, 2017; Kuo, 2011; Lin & Kuo, 2007). An effective reward system can motivate employees to perform changes in behavior and habits that are oriented more towards learning in the organization. Reward system can be an effective communication tool to demand changes in employee behavior and habits, to always be oriented towards learning (Kerr & Slocum Jr, 2005). When appropriate reward system as a management control system is applied to all employees, the rewards offered can be a stimulus for employees to voluntarily change their habits while at the same time, play significant role in forcing them to be compulsorily obeyed by all employees. This mechanism is possible when employees voluntarily change learning-oriented habits, where company will reward them by providing the promised rewards. Conversely, when employees do not want to change their habits, employees will be faced with consequences that can harm the they themselves, both financially and non-financially, such as not getting incentives, being alienated from other employees because they cannot follow the new habits, or even get punished from the company (Andersen & Lueg, 2017).

Organizational Learning Culture and Innovation Capability

The test results show that organizational learning culture has a positive and significant effect on innovation capability. The results of this study empirically support the results of previous studies (Pratiwi & Fanani, 2019; Oktavio, Kaihatu, & Kartika, 2019; Hahn, Lee, & Lee, 2015; Kuo, 2011). Companies that emphasize on employee learning to learn new things and apply them concretely can encourage employee creativity to develop useful innovative ideas. Employees need to make a habit of learning new things so that they can implement them in their daily work. Thus, employees can show innovative ideas obtained from the learning process and able to manage resources more effectively and synergically with useful innovations.

Organizational Learning Culture and SBU Performance

The test shows that organizational learning culture has a

positive but insignificant effect on company's performance. The empirical results in this study provide different results from previous studies (Pratiwi & Fanani, 2019; Kuo, 2011; Lin & Kuo, 2007), where the studies conducted prove that organizational learning culture has a positive and significant effect on company's performance. Nevertheless, the results of this study also support several previous studies, which similarly prove that organizational learning culture does not affect company's performance (Oktavio, Kaihatu, & Kartika, 2019; Kim, Watkins, & Lu, 2017). Organizational learning culture, as a habit applied by employees in carrying out continuous learning, is expected to increase employee knowledge and reduce the risk of errors, for example, making decisions that can harm the company. The learning process can also encourage employees to think of effective ways to be used in their daily work processes so that they can provide benefits and improve company's performance (Pratiwi & Fanani, 2019). The role of organizational learning culture is to form employees' habits that can be useful. This will provide more satisfactory result if the effort is implemented in form of concrete work results, which can later produce a better performance for the company. Therefore, the role of organizational learning culture in this study tends to have an indirect effect on company's performance.

Innovation capability and SBU performance

The results show that innovation capability has a positive and significant impact on company's performance. The results of this study also support the empirical results of previous studies, which prove that high capability to innovate can improve SBU performance (Pratiwi & Fanani, 2019; Ryadi & Yasa, 2016; Junni et al., 2013; Jimenez-Jimenez & Sanz-Valle, 2008). When employees can demonstrate their ability to manage resources effectively and demonstrate innovative efforts that are different from other competitors; a positive image, better quality as a differentiator, and added value to make consumers more satisfied will emerge; eventually improving company's performance.

Mediating Role of Innovation Capability

The test results show that innovation capability can mediate the role of reward system and company's performance, as well as the role of organizational learning culture and company's performance. The results of this test also support previous studies, which also empirically prove that the capability to innovate can mediate the effect of the reward system on company's performance (Kuo, 2011; Grafton, Lillis, & Widener, 2010; Jimenez-Jimenez & Sanz-Valle, 2008). When employees are motivated because of the attractiveness of the pre-set award, they will consistently demonstrate innovative efforts and breakthroughs concretely as a company's uniqueness to compete to win consumers. With innovative efforts and breakthroughs that are different from other competitors, better image as well as different customer satisfaction and experience will be created. Therefore, the real impact can be felt for the company is in form of increasing company's performance.

Concerning organizational learning culture, this study also supports the results of previous empirical studies, which prove its role in the influence of organizational learning culture on company's performance (Pratiwi & Fanani, 2019; Oktavio, Kaihatu, & Kartika, 2019; Kuo, 2011). Learning habits in organizations can encourage employees to not only get, but also translate creative ideas into concrete business that can be applied in their daily work. These creative ideas can be further energized with creative ideas from other employees as an innovative company effort, where these innovative efforts will then provide benefits for overall improvement in company's performance (Pratiwi & Fanani, 2019).

Mediating Role of Organizational Learning Culture

The results show that organizational learning culture can mediate the role of reward system within the capability to innovate, but it is not proven to mediate the role of reward system on company's performance. The mediating role of organizational learning culture on the effect of reward system towards innovation capability also empirically supports the results of a study from Kuo (2011), which proves the same results. When reward system is effectively implemented by the company, it will motivate employees to show innovative efforts to get the rewards provided by the company. However, innovative efforts shown by employees do not necessarily share uniqueness, which distinct them from what is also performed by other competitors. If the innovative effort shown turns out to be something common, then it is not considered something unique. Therefore, it is necessary for the employees to have the habit of learning new things that can be useful in form of unique and innovative breakthroughs. With an effective reward system, employees are expected to get used to perform learning-oriented activities in gaining new and unique insights. So that, the innovative effort shown can be unique and beyond other competitors' thoughts.

Meanwhile, regarding the mediating role of the reward system and company's performance, the results are found to be different from previous studies by Henri (2006). An effective reward system as a management control system is expected to limit the occurrence of employee behavior that deviates from what company expects. In order for the employees can be motivated to get the rewards, one of which is by showing learning-oriented habits in learning new and innovative things. By increasing the insights gained from learning outcomes, it is hoped that employees can reduce potential risks that can harm the company so that in the long-term, the company will produce better performance as harmful risks can be avoided. However, in this study, relatively high organizational learning culture is still not able to directly improve company's performance, thus organizational learning culture cannot show its role as a mediator. In this study, organizational learning culture is more effective in mediating the effect of reward system in increasing innovation capability compared to improving company's performance. Therefore, in order to be able to improve the company's performance, an indirect influence from organizational learning culture is needed to be improved.

Conclusion

The results of this study empirically prove that reward system as a management control system can improve SBU performance by mediating organizational learning culture and innovation capability. The results indicate that reward system has positive and significant effect on SBU performance, innovation capability, and organizational learning culture. Organizational learning culture has positive and significant effect on innovation capability, but it has positive and insignificant effect on SBU performance. While innovation capability has positive and significant effect on SBU performance. For mediation, innovation capability can mediate the role of reward system and SBU performance, as well as the role of organizational learning culture and SBU performance. Lastly, organizational learning culture can mediate the role of reward system on innovation capability, but it is not proven to mediate the role of reward system on SBU performance. This study also proves the relevance of the management control system from the perspective of RBV as a unique resource to support the formation of organizational capabilities. Through the

research model used, this study proves that both reward system and organizational learning culture, can be part of unique management component in supporting the creation of competitive advantage. Meanwhile, innovation capability as a unique resource capability in a company, can be a competitive advantage to improve company's performance.

This study contributes to fill the research gap on the role of reward system as a management control system in increasing innovation capability (Lill, Wald, & Munck, 2020; Gschwantner & Hiebl, 2016) and answers suggestions from Gupta & Shaw (2014) by adding empirical studies related to reward system. This study also provides clarity regarding the inconsistency of the results of previous studies, where the results also prove that reward system is very important if it can be managed effectively for employees in Indonesia. The results of this study also contribute to fill the gap in the mediating role of organizational learning culture at the organizational level, which is still rarely proven, empirically. This study proves that organizational learning culture can mediate the effect of reward system on innovation capability, as well as mediate the effect of reward system on SBU performance. Therefore, this evidence can support Barney's (1986) thinking that culture can be a management asset as a component of competitive support advantage in supporting unique company capabilities.

This study also has limitations, including the small number of samples that can affect the adequacy of the data needed to draw generalized conclusions. Suggestions for future studies, it is necessary to consider the role of individual employees as a moderating variable on the influence of organizational learning culture towards innovation capability, by elevating the moderating role of employee commitment.

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